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House Standing Committee on Energy and Environment

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Proponent Testimony
House Bill 2233
Room 582-N

By Commissioner Pat Apple
Kansas Corporation Commission

Chairman Hedke, Vice Chairman Corbet, Ranking Minority Kuether and members of the committee, thank you for the opportunity to appear here today in support of House Bill 2233.

In June 2014, the Environmental Protection Agency issued its proposed rule for "Carbon Pollution Guidelines for Existing Stationary Sources; Electric Generating Units" (EGU's). The final rule under Section 111(d) of the Clean Air Act is due mid to late summer of 2015.

Upon issuance of the final rule, each state will have one year, in most cases, to develop its own compliance plan. Attached to this testimony is the letter from the Commission to the EPA regarding the proposed rule that accompanied staff's comments.

Each state will be required to submit its compliance plan to the EPA in the form of an agreement and, if accepted, the agreement will be enforceable as if it were a State Implementation Plan (SIP). Each state will be bound by the agreement and the agreement will be federally enforceable.

The proposed rule will require a 35% reduction in CO_2 emissions in Kansas by 2030 with 75% of the goal to be met by 2020.

Investments in environmental improvements made prior to 2012 will not be considered in the plan. Thus possibly leaving major investment stranded with the ratepayers paying for facilities that are not being used or not used to their fullest potential.

The KCC estimates the EPA 111(d) proposed rule will cost Kansas rate payers $8.75 billion and possibly up to $15 billion over 13 years. It is estimated the direct cost of 111(d) rule will increase electric rates up to 30%. This increase does not include: costs for natural gas pipeline investment that will be required with the increased demand of natural gas for EGU's that transition from coal; inflation; or the increased cost of natural gas because of the new demand.

The Southwest Power Pool warns of 'cascading outages' if the EPA's CO2 proposal is implemented.

House Bill 2233 provides for a clear regulatory path forward as we begin to understand the effects of the proposed rule on cost and reliability of our electrical system. These costs will eventually be passed on to the ratepayer. Well established traditional regulatory structure has been decimated under the proposed rule. It will take cooperation from the industry and state regulatory agencies to develop a solution that will provide the lowest cost viable option and keep a reliable electrical system.

The consequences of your decision, either good or bad, will affect each and every ratepayer of our state.

Thank you and I ask that you give this legislation your utmost consideration.

Very truly yours,

Pat Apple